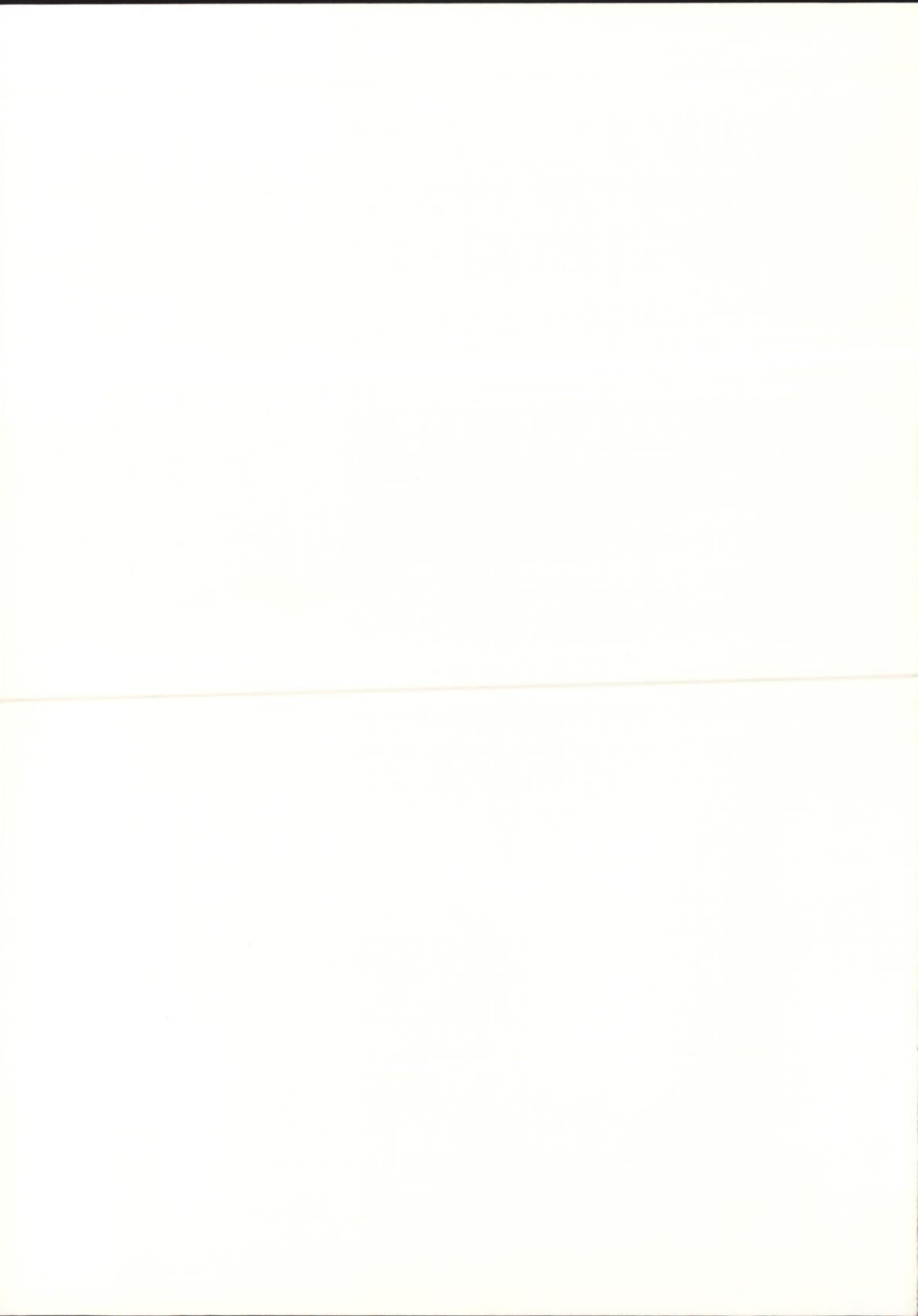


Financial Report
OF
GEO. A. HORMEL & COMPANY
AUSTIN, MINNESOTA
for the
Fiscal Year Ended October 26, 1963



FIVE YEAR REVIEW

(In thousands of dollars)

	1963	1962	1961	1960	1959
Sales	\$393,740	\$384,742	\$384,145	\$372,276	\$401,723
Net Earnings	2,965	3,062	3,147	4,533	5,839
Wage Costs	74,509	73,581	71,574	71,291	71,154
Total Taxes	4,922	4,211	4,814	6,233	7,667
Depreciation	2,508	2,353	2,400	2,186	2,165
Properties (net) ..	22,376	20,663	19,345	19,159	18,686
Working Capital...	26,329	29,152	30,281	27,934	28,189
Stockholders'					
Investment	48,818	47,527	46,138	42,400	40,983

<i>Sales tonnage</i> <i>(million pounds)</i>	1,171	1,093	1,094	1,122	1,167
<i>Net earnings to:</i>					
<i>Sales</i>	.8%	.8%	.8%	1.2%	1.5%
<i>Sales tonnage</i> <i>(cwt.)</i>	25¢	23¢	29¢	40¢	50¢
<i>Per share earnings</i> <i>on common stock</i> <i>(adjusted)</i>	\$2.48	\$2.56	\$2.63	\$3.79	\$4.88

Austin, Minnesota
December 2, 1963

To the Stockholders of
Geo. A. Hormel & Company

The net earnings of the Company for the year which ended October 26, 1963, were \$2,964,659, or \$2.48 on each share of common stock, as compared to \$3,062,370, or \$2.56 a share in 1962.

Dollar sales for the year, after returns and allowances, were \$393,739,823, an increase of \$8,998,283, or 2.3 percent, over sales last year.

Sales tonnage was 1,170,886,782 pounds, an increase of 77,577,242 pounds over a year ago, or 7.1 percent.

The net profit per dollar of sales was only $\frac{3}{4}$ of one cent per dollar of sales, and 25 cents per hundredweight of product sold.

The working capital of the Company was \$26,329,338, a decrease of \$2,822,231 from a year ago. The sum of cash, government securities and accounts receivable exceeded current and all liabilities by \$5,825,061.

The investment in capital improvements and additions during the year was somewhat in excess of \$4,162,000. The net addition to capital assets, after retirements, was \$3,271,471. Depreciation for the year on plant and equipment was \$2,507,680.

Stockholders' investment in the Company at the end of the year was \$48,817,600. The sum of \$1,673,869 was distributed in dividends to stockholders in four quarterly payments of 35 cents — a total of \$1.40 on each share of common stock. The Company has paid dividends for thirty-five consecutive years.

Payment and provision for all taxes for the year amounted to \$4,921,953.

The sum of \$2,350,000 was provided for present and past services of the Employee Pension Trusts. This amount, together with distributions in prior years to the Profit-Sharing Trust and the Employee Pension Trusts, makes a total of \$25,741,867 allocated to the employee retirement program.

The Joint Earnings made available to eligible employees for the year was \$261,272. Since the beginning of the Joint Earnings Plan twenty-five years ago, the sum of \$24,906,545 has been provided for employees.

Under the terms of an agreement with the Union negotiated in 1961, a general wage increase of 6 cents an hour became effective on September 1, 1963. Also, pursuant to agreement with the Union, cost of living increases of 2 cents an hour on January 7, 1963, and 1 cent an hour on July 1, 1963, were put in effect.

The final installment of \$1,200,000 on the term loan of the Company is payable on June 30, 1964. Other than this balance on the term loan, the Company had no money borrowed from banks at the end of the fiscal year.

During the year, the Company completed the rearrangement and modernization of the hog kill and beef cooler facilities in the plant at

Austin, Minnesota. It also completed the new hog cutting addition to the plant in Mitchell, South Dakota, thereby providing the opportunity of marketing pork cuts from that plant. The former Ottawa Packing Company of Miami, Oklahoma, was purchased in this past year and has been renovated into a modern beef killing operation similar to the beef plant established at Springfield, Missouri, in 1961. A completely new and modern processing plant was constructed during the year at Los Angeles, California, in the La Mirada area. It is scheduled to open about January 1, 1964. The new unit will enable the Company to meet the demands of an expanding market in California.

A 75,600 square foot can manufacturing plant is being constructed immediately next to the canning factory in Austin. This will be leased to the American Can Company to manufacture cans. The location of this factory, adjacent to our canned meat operation, will effect substantial savings to the Company.

The completion of engineering studies of the land acquired in 1960 at Princeton, Illinois, indicated that the terrain might not lend itself to the operation of a packing house. Consequently, the Company will dispose of it. However, because the area offers a plentiful supply of livestock, another tract of land was acquired recently at Bureau Junction, Illinois, only seven miles from the Princeton tract. Plans are being studied for the construction of facilities at this new location, but at present are not finalized.

Three new products introduced during the year have received consumer acceptance. Of these products, Deviled Spam Spread is being distributed nationally. Cure 81 Ham, a specially prepared boneless ham, and Re-Seal Pak, a new package for sausage and luncheon meats, have been recently introduced in certain areas. Manufacturing facilities for these products are being expanded to fulfill the constantly increasing consumer demand for them.

A national advertising program, supplemented by sectional advertising of particular products, is being maintained. A consultant firm of industrial designers and marketing analysts is continuing the study of company labels, packages and designs.

The continuous pressure on margins by reason of increasing competition and industry improvement in production methods and facilities necessitates a careful analysis of all costs. It is becoming more obvious that constant vigilance with respect to this part of our business must be maintained in order to market our products on a competitive basis. Your Management has initiated a program of continuous cost review.

With an estimated adequate supply of livestock, with the continuing modernization of our production facilities, and with the proven ability and loyal support of all HORMEL people, your Management looks forward to the new year with enthusiasm and confidence.

As in prior years, we extend our sincere appreciation for the support and cooperation of our employees, customers, livestock producers, and stockholders.

H. H. COREY
Chairman of the Board

R. F. GRAY
President

Statement of Financial Position

October 26, 1963

CURRENT ASSETS

Cash	\$ 7,182,596	
United States Government securities—at cost which approximates market	5,436,150	
Accounts receivable, less allowance of \$100,000	15,237,207	
Inventories of products, livestock, packages and materials—at lower of cost (principally first-in, first-out) or market	20,221,155	
Prepaid insurance and other expenses	283,122	
Total Current Assets		\$48,360,230

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$18,356,972	
Dividend payable November 15	418,467	
Federal taxes on income—estimated	2,055,453	
Unsecured notes—balance of long-term debt	1,200,000	
Total Current Liabilities		22,030,892

WORKING CAPITAL

\$26,329,338

INVESTMENTS—at cost

112,500

PROPERTY, PLANT AND EQUIPMENT

on the basis of cost

Buildings (\$20,911,836) and equipment ..	\$49,348,847	
Less allowances for depreciation	27,755,523	
	<u>\$21,593,324</u>	
Land	782,438	22,375,762

STOCKHOLDERS' INVESTMENT

\$48,817,600

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Statement of Stockholders' Investment

CAPITAL STOCK

(At October 26, 1963)

Preferred stock, par value \$100 a share:

Authorized 50,000 shares

Issued and outstanding—none

Common stock, par value \$7.50 a share:

Authorized 1,600,000 shares

Issued and outstanding 1,195,621 shares .. \$ 8,967,157

Additional paid-in capital 1,945,088 \$10,912,245

EARNINGS REINVESTED IN BUSINESS

Balance October 28, 1962 \$36,614,565

Net earnings for the year 2,964,659

\$39,579,224

Deduct cash dividends on common stock—

\$1.40 a share 1,673,869

Balance October 26, 1963 (partially restricted as to cash distributions on common stock until balance of long-term debt is paid June 30, 1964)

37,905,355

TOTAL STOCKHOLDERS' INVESTMENT

\$48,817,600

STATEMENT OF EARNINGS

Fiscal Year Ended October 26, 1963

SALES (less returns and allowances)	\$393,739,823
Other income	59,737
	<u>\$393,799,560</u>

COSTS, EXPENSES AND TAXES

Cost of products sold, selling, delivery, administrative and general expenses, ex- clusive of items shown separately	\$308,654,912
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Wage costs:

Wages and salaries, in- cluding joint earnings	\$67,633,886	
Pension trust contribu- tions (unfunded past service cost estimated at \$19,800,000 over next 24 years)	2,350,000	
Federal and state unem- ployment and old age contributions	1,777,414	
Group life, hospitaliza- tion and sick leave	<u>2,747,813</u>	74,509,113

Provision for depreciation	2,507,680
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Interest	241,243
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Taxes:

State income, property and other taxes	\$ 1,896,953		
Federal taxes on income (estimated)	<u>3,025,000</u>	<u>4,921,953</u>	<u>390,834,901</u>

NET EARNINGS	<u><u>\$ 2,964,659</u></u>
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ACCOUNTANTS' REPORT

To the Stockholders and Board of Directors

Geo. A. Hormel & Company

Austin, Minnesota

We have examined the statement of financial position of Geo. A. Hormel & Company as of October 26, 1963, and the related statements of earnings and stockholders' investment for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements of financial position, earnings and stockholders' investment present fairly the financial position of Geo. A. Hormel & Company at October 26, 1963, and the results of its operation for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

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Minneapolis, Minnesota

November 18, 1963

OFFICERS

H. H. Corey	-	-	-	-	-	-	Chairman of the Board
R. F. Gray	-	-	-	-	-	-	President
M. B. Thompson	-	-	-	-	-	-	Executive Vice President
R. D. Arney	-	-	-	-	-	-	Vice President
Bruce Corey	-	-	-	-	-	-	Vice President
E. H. Flitton	-	-	-	-	-	-	Vice President
E. J. Garrity	-	-	-	-	-	-	Vice President
John R. Jones	-	-	-	-	-	-	Vice President
J. L. Olson	-	-	-	-	-	-	Vice President
Geo. W. Ryan	-	-	-	-	-	-	Vice President and Treasurer
Fayette Sherman	-	-	-	-	-	-	Vice President
I. J. Holton	-	-	-	-	-	-	Secretary
E. H. Larson	-	-	-	-	-	-	Controller
R. C. Dougherty	-	-	-	-	-	-	Assistant Secretary
E. C. Alsaker	-	-	-	-	-	-	Assistant Treasurer
R. H. Biedermann	-	-	-	-	-	-	Assistant Controller

DIRECTORS

R. D. Arney							
	Bruce Corey						
		H. H. Corey					
			R. F. Gray				
				I. J. Holton			
					James C. Hormel		
O. L. Marquesen							
	Gordon Murray						
		J. L. Olson					
			Geo. W. Ryan				
				Fayette Sherman			
					M. B. Thompson		



